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PLEASE PASS TO SENATOR ENZI AND CODEL FROM AMBASSADOR
LUNSTEAD

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SUBJECT: SRI LANKA: SCENESETTER FOR CODEL ENZI

BILATERAL RELATIONS

¶1. (SBU) Senator Enzi, your delegation's April 14 visit to Sri Lanka offers a valuable opportunity to highlight our warm bilateral ties, re-emphasize our commitment to support the peace process and review progress on key elements of our humanitarian assistance program. Bilateral relations with the Government of Sri Lanka (GSL) are cordial and strong, underpinned by our shared democratic values and our mutual support in the Global War on Terror. These ties were further bolstered by the swift U.S. response to the December 2004 tsunami, which killed more than 35,000 people and devastated

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70 percent of the Sri Lankan coastline. Overall, U.S. relations with Sri Lanka continue to improve, with trade, investment and military cooperation on the upswing. The U.S. is one of four Co-chairs, along with Japan, Norway, and the EU to the peace process. The GSL appreciates the firm stand the U.S. has taken by proscribing the Liberation Tigers of Tamil Eelam (LTTE) as a Foreign Terrorist Organization (FTO) in 1997. We have repeatedly emphasized that the LTTE listing could be reviewed if the LTTE renounces terror in word and deed--which the Tigers so far have not done.

PEACE PROCESS

¶2. (SBU) Your visit comes on the eve of the second round of ceasefire talks, scheduled to be held April 19-21 in Geneva, between the Government and the LTTE. Since the last round of talks (February 22-23), in which the LTTE said it would halt attacks on GSL security forces and the GSL pledged to curb the activities of "armed groups" in Government-controlled territory, the two parties have repeatedly accused each other in public of failing to uphold their respective commitments. In addition to the war of words, confrontations between GSL security forces, the LTTE and "armed groups," most notably the dissident Karuna faction of the LTTE, have led to nearly 30 deaths in the north and east since the last round of talks concluded on February 23. Although GSL security forces have shown great restraint in the face of repeated provocations from the LTTE, the Karuna faction, which many people suspect enjoys some degree of GSL support, continues to operate with apparent impunity. The recent uptick in violence has raised concern that the LTTE, which unilaterally walked out of negotiations with the GSL in 2003, may decide not to attend the meeting in Geneva. GSL behavior, on the other hand, has

also given cause for concern. Members of President Mahinda Rajapaksa's government have openly criticized Norwegian government facilitators to the peace process and the Nordic-sponsored ceasefire monitoring organization, the Sri Lanka Monitoring Mission (SLMM), for purported partiality toward the LTTE.

13. (SBU) In your meeting with GSL interlocutors, you may wish to commend GSL efforts to re-engage with the LTTE across the table, underscore the importance of strengthening the ceasefire and urge the GSL not to give the Tigers any pretext to break off talks. While expressing concern about the continued violence, you may also wish to reaffirm U.S. support for Norwegian facilitators and SLMM monitors, noting the important work the SLMM has done in documenting LTTE child recruitment practices. You might also probe GSL strategy on how to move the talks past focusing on the ceasefire toward a political resolution of the 23-year conflict.

ECONOMIC RELATIONS

14. (SBU) As the Ambassador noted in a speech to the American Chamber of Commerce earlier this year, in order to achieve better economic progress, "peace is paramount." The continuing uncertainty surrounding the peace process has raised concerns among current and potential investors. While Sri Lanka suffered over USD 1 billion in damage as a result of the tsunami, most rebuilding costs will be borne by NGOs and the donor community. Sri Lanka's economic growth rate did not suffer noticeably, largely because of the relatively low contribution of the tourism and fishing sectors (the two most heavily affected industries) to GDP, and because of the offsetting growth in the construction industry.

15. (SBU) Sri Lanka is a Millennium Challenge Account eligible country, and has submitted a compact proposal focusing on rural development, including rural irrigation projects, rural roads, rural electrification and small and medium enterprise development. Millennium Challenge Corporation is currently conducting its due diligence of the proposal and negotiating the contract terms. The government acknowledges the need for an open economy, but retains some statist leanings. The President's Marxist/nationalist allies are opposed to the privatization of state-owned enterprises, despite their poor track record and significant, and the most recent budget was full of give-aways, particularly to rural communities.

MILITARY-TO-MILITARY RELATIONS

16. (SBU) A review of the 2002 US Pacific Command (PACOM) assessment of the Armed Forces of Sri Lanka shows that some progress has been made but much remains to be done to meet our goal of a stronger Sri Lankan military capable of deterring an LTTE return to war. Some of the positive steps included: great strides in humanitarian demining; Sri Lankan participation in joint exercises with US and other friendly forces; strengthening of maritime surveillance/interdiction capabilities through delivery of an ex-U.S. Coast Guard cutter; several high-level visits, including by former Deputy Secretary of Defense Wolfowitz early last year; and Sri

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Lankan hosting of a Peacekeeping Operations training center and participation in the UN Peacekeeping Operation in Haiti. FY 06 funding for Foreign Military Financing is projected at USD 1 million, while FY 06 spending on International Military Education and Training (IMET) programs is projected at USD 500,000.

USAID PROGRAMS

17. (SBU) USAID/Sri Lanka's Country Strategic Plan supports three major programs and one special activity in the following areas: Democracy and Governance (DG); Humanitarian Assistance (HA); Economic Growth (EG); and a special small grants program, via the Office of Transition Initiatives (OTI), to support the peace process. The December 2004 tsunami caused major implementation delays in the bilateral

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program while partners switched gears very quickly to address the emergency. Total USAID spending on tsunami-related programs is USD 134.6 million, which, over the next two years, will include major infrastructure projects, such as the rebuilding of a large coastal bridge, the restoration of three fishing harbors, and the rebuilding of tsunami-affected vocational/technical schools. During your visit, you will have the opportunity to visit a playground constructed by USAID in a tsunami-affected community in southwestern Sri Lanka.

18. (SBU) The DG program support the peace process and the promotion of transparent and accountable local government. There are three streams of intervention--with the national government and political parties; civil society; and with community groups. The HA program improves social services to targeted vulnerable populations, particularly people with mobility disabilities and to children affected by armed conflict and violence, as well as torture survivors and their families. New activities beginning this year include an HIV/AIDS program and interventions to assist the GSL to improve detection of the Avian Influenza virus. The EG program strengthens the role of the private sector in the economy by providing expert assistance to increase productivity and exports of key commodities and improves the ability of the Sri Lankan workforce to compete in domestic and world markets. The OTI program increases public support for a negotiated settlement to the conflict through short-term, high-impact small-grant activities that increase awareness of key transition issues and promote collaboration among diverse groups to set and address local priorities. The OTI/Sri Lanka program takes a bottom-up approach to peacebuilding by working predominantly at the village level and often with informal groups.

----- HUMANITARIAN DEMINING -----

19. (SBU) The U.S. began training the Sri Lanka Army engineering battalion in humanitarian demining operations in August 2003. Since late 2003 the Sri Lanka Army has received equipment and training in all disciplines of humanitarian mine action. To date, U.S.-trained Sri Lanka Army demining units have cleared more than two million square meters. Approximately 570 deminers have been trained, equipped and fielded, with over half of them working in Jaffna and the rest divided between Vavuniya and Trincomalee. The Mine Detecting Dog program began in February 2004 with six dogs delivered from Marshall Legacy Institute through private donations and the Department of State providing equipment, supplies, facilities, training, health care and associated support costs for the dogs. During your visit you will have the opportunity to visit the Sri Lanka Army engineering battalion in Embilipitiya to hear a briefing on demining activities and to observe Army deminers--as well as four mine detecting dogs--in action.

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